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Zimbabwe

Grain and Feed

Annual Report

2005

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Report Highlights:
Zimbabwe's 2004 corn crop, just harvested, is estimated at 550,000 tons, well short of the estimated demand of 1.5 million tons. While the poor state of the economy is limiting effective commercial demand, the Government is doing well in acquiring supplies. Since the start of the new marketing season in May the Grain Marketing Board has imported 228,000 tons from South Africa in two months. This puts them well on target to reach the goal of 1.2 million tons for the season. The availability of foreign exchange is the main limiting factor that may curtail imports. The 2005 wheat crop is estimated at 140,000 tons, about half the required amount.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Summary

Zimbabwe faces a huge corn deficit before the next harvest in March 2006. Production is estimated at 550,000 MT for the 2004/2005 season against an estimated demand of nearly 1.6 million ton, implying that the country has to import more than 1 million tons before the next harvest. The government has declared that it will import 1.2 million tons from South Africa during the current 2005/06 marketing year.

Poor rainfall distribution and lower than average rainfall resulted in large scale crop failure. Contraction in production also occurred in the former highly productive commercial farming sub-sector, as a result of the land reform program. Limited tillage capacity in prime farming areas, the late start to the season as well as the unavailability of necessary inputs contributed to this decline in production. Government supplied tillage services have remained inadequate to cater for the needs of the resettled farmers who do not have the necessary implements. Other constraints to production were inadequate fertilizers, particularly ammonium nitrate and a shortage of fuel.

Wheat planted in 2005 is estimated at 46,000 hectares, below the targeted 80,000 ha. Late disbursement of working capital and inputs, shortage of tillage services and fuel and inadequate irrigation facilities contributed to the lower than planned area planted. Vandalism of irrigation equipment and failure to maintain what existed before the land reform has reduced the potential area under irrigation. Wheat production in 2005 is estimated at roughly 130,000 MT.

CORN

PSD Table

Country	Zimbabwe					
Commodity	Corn					
1000 HA	2003	Revised	2004	Estimate	2005	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin		05/2004		05/2005		05/2006
Area Harvested	1300	1365	1200	1200	1300	1350
Beginning Stocks	46	130	46	0	46	0
Production	900	900	550	550	1100	900
TOTAL Mkt. Yr. Imports	300	400	650	900	200	600
Oct-Sep Imports	233	300	650	500	200	500
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1246	1430	1246	1450	1346	1500
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	25	25	25	25	25	25
TOTAL Dom. Consumption	1200	1430	1200	1450	1300	1500
Ending Stocks	46	0	46	0	46	0
TOTAL DISTRIBUTION	1246	1430	1246	1450	1346	1500

Production

The 2004/05-summer rainfall season started late, with most parts of the country only receiving effective planting rains in December 04 and January 05. The late start of the rains resulted in corn being planted after the optimal planting dates. About 91% of the corn crop was planted during December and early January whereas in a 'normal' season, nearly all the corn is planted by the end of December.

The 2004/05-production season was characterized by erratic and poor distribution of rainfall. Most parts of the country received below average rainfall particularly the southern half of the country (Matebeleland, Midlands, Masvingo and Manicaland Provinces). A prolonged dry spell that prevailed between late January to end of March affected large parts of the country. With the exception of a few isolated areas in the north, the country remained dry for the rest of the growing season.

One of the major production drawbacks in the 2004/2005 season was the unavailability of sufficient tillage equipment in prime farming areas. Services could not match demand, which further delayed planting. This was particularly critical for newly resettled farmers most of whom do not have the necessary implements. The erratic supply of inputs such as diesel, fertilizer and chemicals also exacerbated the situation. There was a critical shortage of top-dressing fertilizer. The limited amounts of ammonium nitrate became available when soil moisture was inadequate for its application on dry land crops.

Generally, the dry land maize crop performed poorly. The average yield for the current season is around 0.46 MT/ha. The poor rainfall, input shortages and also the reduction in area planted on the high yielding commercial farms largely account for the low yield. Most farmers with irrigation facilities did not irrigate corn, preferring cash crops such as soybeans and tobacco with prospects of better income.

Corn harvesting started in March and is largely completed. The area harvested is estimated at 1.2 million hectares, 14% down from the previous season's 1.365 million hectares. The decline can be attributed to the late rains, the severe drought, the unavailability of an alternative cash market and the lack of a pre-planting producer price announcement which discouraged many newly resettled farmers from planting corn.

Official crop estimates are not readily available in Zimbabwe. The National Early Warning Unit (NEWU) is a multi-stakeholder forecasting committee that includes the Department of Meteorological Services, AREX, NGOs, the SADC Regional Early Warning Unit and the Ministry of Finance and Economic Development and is chaired by the Central Statistical Unit (CSO). But it did not meet this year. However, the Department of Agricultural Research and Extension (AREX) carried out three crop forecasting surveys: a preliminary, mid-season and a post-harvest crop survey. The post-harvest estimate carried out at the beginning of May put the corn crop at 591,472 MT. Our estimate of the 2004 (year of planting, MY 2005/06) crop is 550,000MT, the lowest on record.

The following table shows corn production data from the 2002 year of planting:

Year of planting	2002	2003	2004
Area (1,000 ha)	1,355	1,365	1,200
Yield (MT/ha)	0.59	0.60	0.46
Production (1,000MT)	800	900	550

There is a general agreement that Zimbabwe faces a huge grain deficit. The country will have to import more than 1 million tons of maize to satisfy domestic requirements, but it is unlikely that the government will attain this goal. Importation will be hampered by the serious shortage of foreign currency. Commercial imports will have to be augmented by food aid. The Government of Zimbabwe suspended food aid distribution by international agencies in mid 2004 and it is not yet clear whether distribution will resume this year.

The results of the food security and vulnerability assessment by the Zimbabwe Vulnerability Assessment Committee (ZimVAC) to be made available in July is going to be critical for the implementation of food assistance to Zimbabwe.

On 3 April 2005 the Government of Zimbabwe announced a producer price of Z$2,248,024/MT (US$225) for MY 2005/2006 up from Z$750,000/MT (US$75) in MY 2004/2005. (US$1=Z$10,000 on the July 5 auction). However, farmers are not selling much to the Grain Marketing Board (GMB). On-farm retention is high due to the drought, farmers preferring to retain grain for household food security or local informal trading. It is estimated that of the 900,000 MT corn produced in the 2003/04 season, intake by the GMB was only about 400,000 MT.

Millers, however are buying maize from the GMB at Z$600,000/MT, (US$60) implying a consumer subsidy of Z$1.6 million (US$165) per ton.

Policy:

The government of Zimbabwe insists on the importation of Biotech free corn. If GMO corn is supplied it has to be milled before delivery.

Corn remains a controlled crop, which can only be marketed through the Grain Marketing Board.

In an effort to increase corn production in the new, 2005/2006 production season, the Government is making funds available to corn growers at a concessionary rate of 5% interest compared to commercial rates of 180%.

To increase control of the agricultural industry, the Government is re-establishing the Agricultural Marketing Authority (AMA), a parastatal that will be charged with regulating the marketing of agricultural products (except tobacco and pigs) to ensure fair pricing. AMA is expected to be fully operational before the end of the year. It will coordinate its activities with other parastatals that regulate the marketing of particular products such as the GMB. There are reservations about benefits to be derived from the AMA; there is little doubt that AMA will form an unnecessary link in the marketing chain.

Outlook on corn production:

The forecast for the crop to be planted in 2005 is for an increased area and bigger crop, as the government increases incentives for maize production. The seed requirement of about 55,000 MT will be met through local production and imports. It is anticipated that the country will import 20,000 MT of seed for the 2005 plantings.

Consumption

Per capita consumption of corn is estimated at 120kg per year. For 2005/06, human consumption requirements, based on the population estimate of 12 million, (11.635 million in 2002 census, growing at 1.1% per annum), is estimated at 1.440 million tons. Feed demand is estimated at 25 to 50,000 tons, giving a total demand of about of 1.5 million tons. With the rest of the economy in turmoil or decline, and unemployment very high, the purchasing power of consumers are low and consumption will probably only reach about 1.4 million tons if the supplies are available.

Trade

The country needs commercial and food aid imports of more than a million tons of corn to cover the deficit before next season's harvest in March 2006. The Government has declared its intention to import 1.2 million tons of corn from South Africa. It is highly unlikely that the government alone can achieve this. Zimbabwe is facing a severe shortage of foreign exchange. The country introduced a foreign currency auction system in January 2004 to allocate the scarce foreign currency resources and to stabilize the exchange rate. The large gap existing in the foreign exchange demand and supply sides has put the auction system under enormous pressure in recent months. Surging demand that has seen up to 93% of the bi-weekly bids rejected. Currently, US$12.5 million per auction or US$100 million per month is available to importers but demand now exceeds US$100 million per auction. The critical shortage of foreign exchange has led to the resurgence of the parallel (black) market. Early in July the auction price reached US$1=Z$10,000 compared to the official rate of US$1=Z$6,200.

The fall in production and low average prices of tobacco and cotton have reduced the anticipated foreign exchange earnings thereby worsening Zimbabwe's foreign exchange position. Corn imports will compete with other critical sectors of the economy mainly the petroleum, energy and manufacturing sectors for foreign exchange.

At this stage Zimbabwe is importing corn from South Africa. The current low price of corn in South Africa is an advantage although transportation capacity to Zimbabwe is a major challenge. Road transportation costs between $85 and $100/ton, compared to rail at $40 to

$60/ton. Apparently the South African railway company, SPOORNET, allocated 200 railcars (44 MT in bulk) to the lines running north. Turnaround times have been very slow, exceeding two weeks, and the number of cars had to be increased. The 200 railroad cars should allow about 20,000 tons to be moved per month. Road transport is quicker and more reliable than rail and is used extensively. The following table contains weekly shipments of corn from South Africa to Zimbabwe since January 1, 2005.

2005, Week	Metric tons
01/01 – 01/07	1,616
01/08 – 01/14	8,682
01/15 – 01/21	8,753
01/22 – 01/28	15,642
01/29 – 02/05	11,830
02/06 – 02/11	6,014
02/12 – 02/18	5,191
02/19 – 02/26	7,778
02/26 – 03/ 04	8,562
03/05 – 03/11	8,557
03/12 – 03/18	5,401
03/26 – 04/01	7,041
04/02 – 04/08	7,522
04/09 – 04/15	5,877
04/16 – 04/22	9,430
04/22 – 04/29	9,134
04/30 – 05/06	7,709
05/07 – 05/13	13,314
05/14 – 05/20	46,032*
05/21 – 05/27	9,512
05/28 - 06/03	9,928
06/04 – 06/10	9,140
06/11 – 06/17	48,553 **
06/18 – 06/24	19,545
06/25 – 07/01	12,115
TOTAL IN 2005	302,908
Season to date since May1, 2005	228,058

* Includes a shipment of 31,500 tons from East London through Mozambique.
** Includes shipment of 38,650MT from East London through Mozambique.

The GMB imported 205,000 MT of corn from South Africa between May 1, 2004 and the end April 2005 (MY04/05), or about 17,000 tons per month. From the beginning of the current season on May 1 to July 1, 228,000 MT of corn were imported from South Africa, although the shipments by sea may not have reached its destination yet. That amounts to 114,000 tons per month, which should allow the GMB to reach its goal of 1.2 million tons in twelve months. The total quantity to be imported this season will depend on the funds available but we do not see it exceeding 750,000 tons. The constraints include transport bottlenecks; availability of foreign exchange and the insistence on GMO free corn, which complicates matters. The shortfall will have to covered by food aid; we showed total imports of 900,000 tons in the PS&D, including 150,000 tons of aid.

The question of the availability of non-GMO corn is interesting, only about 20% of the SA crop has a biotech component, 15% of the white corn and 30% of the yellow. The current

white corn crop is estimated at about 7 million tons plus a carry over of about 2.4 million tons to total 9.4 million tons. Theoretically 8 million tons should thus be GMO free. The problem is more related to distribution, getting the right quantities nearest to the customers. This problem will also face potential donors.

The table below summarizes cereal food aid deliveries to Zimbabwe from international donors over the past two marketing years.

Cereal food aid deliveries and pledges to Zimbabwe in 2003/04 and 2004/05

Donor	2003/04 (MT)	Donor	2004/05 (MT)
European Union	23,100	European Union	12,000
India	50,000	NGOs	2,500
USA	27,800		
WFP	221,200	WFP	126,100
Total	322,100	Total	140,600

(Source: FAO/GIEWS – April 2005)

A big portion of these supplies originated in South Africa and is included in the SAGIS figures above.

Stocks

Having exhausted all the grain reserves, ending stocks for 2004/2005 marketing year were zero. Ending stocks for MY 2005/06 are also forecast to be zero as the country battles to import enough corn to satisfy the nation's needs.

WHEAT

PSD Table

Country	Zimbabwe					
Commodity	Wheat					
1000 HA	2003	Revised	2004	Estimate	2005	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin		07/2003		07/2004		07/2005
Area Harvested	30	30	35	35	35	46
Beginning Stocks	100	0	100	0	100	0
Production	90	90	140	140	140	140
TOTAL Mkt. Yr. Imports	170	170	130	130	150	130
Jul-Jun Imports	170	170	130	79	150	0
Jul-Jun Import U.S.	6	0	0	21	0	0
TOTAL SUPPLY	360	260	370	270	390	270
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	260	260	270	270	290	260
Ending Stocks	100	0	100	0	100	0
TOTAL DISTRIBUTION	360	260	370	270	390	270

Production

Wheat is planted in winter (April – May) under irrigation on large-scale commercial farms and is harvested in September. Wheat competes with barley although only about 10,000 hectares of malting barley are grown annually. Barley is more attractive to growers because unlike wheat, its marketing is not controlled. Late payments by the GMB have discouraged wheat producers. National Breweries, the major contractor for barley, also supplies most of the production inputs.

Planting of the 2005 winter wheat crop is complete. The Government of Zimbabwe has provided Z$600 billion (Z$6200 = US$1 official rate) for production of 80,000 hectares of wheat in 2005. Bureaucratic loan application and processing procedures delayed the disbursements of funds and inputs, and this target area was not achieved. Tillage services could again not match the demand, thus delaying planting. The planting deadline for wheat is mid-May. Planting beyond this period results in a loss of 10 to 15% of yield for every week's delay thereafter. Wheat planted after May risks being spoiled by early summer rains in October. Up until the end of May an estimated 23,000 hectares of wheat had been planted. However, some farmers were still planting wheat in June, citing inadequate tillage (tractors and fuel) and irrigation facilities as the major reasons for the delay in planting. By mid-June an estimated 46,000 hectares of wheat had been planted.

The newly resettled farmers who make up the bulk of wheat producers have little experience in growing the crop and consequently the average wheat yields have declined from about 4.5 MT/ha in 2002 to about 4 MT in 2004. Whilst the average yield of wheat is expected to increase significantly as farmers gain more experience with the crop, the anticipated yield of the 2005 crop is not expected to increase due to the delayed planting of about half the current crop. The shortage of ammonium nitrate fertilizer and inadequate irrigation facilities will further compound the situation. It is reasonable to assume an average yield of 3MT/ha

for the 2005 crop and a total wheat production of around 130,000MT, similar to the 2004 wheat output.

To ensure self-sufficiency in wheat, Zimbabwe should have at least 155,000 hectares under winter wheat.

The current producer price of Z$1,749,128 per MT is far below production costs of about Z$8 million per hectare. The producer price of wheat for 2005 is yet to be announced despite the start of the season, and this factor has contributed to the reduction in area planted. The high production costs have also discouraged producers with some opting to grow contract barley for private companies providing inputs.

Policy

The government of Zimbabwe has set aside Z$1 trillion (Z$6200=US$1) to support the rehabilitation of irrigation. The funds will assist farmers to purchase irrigation pipes, water pumps and center pivots. Availability of foreign exchange to import essential irrigation components poses a major challenge to this program.

Consumption

Wheat demand is estimated at between 350,000 MT and 400,000 MT annually. The per capita consumption of wheat is estimated to be 29 kg per year. Based on a population of 12 million, the wheat requirement for the 2005/06 marketing year is estimated at 348,000 MT. The country thus requires at least 7,000 MT of wheat each week to satisfy domestic consumption. However, wheat consumption has increased this year due to the limited availability of maize. Weekly demand for wheat by millers has increased to 9000 MT, but the GMB is battling to supply.

Trade

Zimbabwe traditionally imports about 50,000 MT of hard wheat to blend with the local wheat to enhance baking quality of the flour. The country will have to import between 240,000 MT and 265,000 MT of wheat in 2005/06 to satisfy demand estimated at 350,000 MT. This is not likely to happen and it is expected that the country's imports to augment the 2005 crop will be similar to those of the past season.

The table below shows wheat imports for the July 2004/June 2005 Zimbabwean season as shown on the SAGIS website. These figures only reflect trade through the South African transport system.

Import Trade	through	South Africa only	
Country	Zimbabwe		
Commodity	Wheat		
Time Period	July/June	Units:	MT
Imports for:	2004/05		2005/06
U.S.	21035	U.S.	
Others		Others	
Argentina	39345		
South Africa	11015		
Canada	7530		
Total for Others	57890		0
Others not Listed	0		
Grand Total	78925		0